

February 12, 2021

**VIA ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket 5073 - Retail Energy Supply Association Petition for Implementation of Purchases of Receivables**  
**Response to Division Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed is National Grid's<sup>1</sup> response to the Rhode Island Division's First Set of Data Requests, containing one request, in the above-referenced docket.<sup>2</sup>

Thank you for your attention to this matter. If you have any questions, please contact me at 401-784-4263.

Very truly yours,



Andrew S. Marcaccio

Enclosure

cc: Docket 5073 Service List  
John Harrington, Esq.  
Christy Hetherington, Esq.  
John Bell, Division

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (National Grid or Company).

<sup>2</sup> Per Commission counsel's update on October 2, 2020, concerning the COVID-19 emergency period, the Company is submitting an electronic version of this filing. The Company will provide the Commission Clerk with five (5) hard copies of the enclosures.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



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Joanne M. Scanlon

February 2, 2021

Date

**Docket No. 5073 – Retail Energy Supply Associations Petition for Implementation of  
Purchase of Receivables Program  
Service List updated 1/4/2021**

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<p><b>File an original &amp; 9 copies w/:</b> Luly E. Massaro, Commission Clerk Cynthia Wilson-Frias, Counsel <b>Public Utilities Commission</b> 89 Jefferson Blvd. Warwick, RI 02888</p>	<p><a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a>; <a href="mailto:Alan.nault@puc.ri.gov">Alan.nault@puc.ri.gov</a>; <a href="mailto:Cynthia.WilsonFrias@puc.ri.gov">Cynthia.WilsonFrias@puc.ri.gov</a>; <a href="mailto:Todd.bianco@puc.ri.gov">Todd.bianco@puc.ri.gov</a>; <a href="mailto:John.harrington@puc.ri.gov">John.harrington@puc.ri.gov</a>; <a href="mailto:Rudolph.S.Falcone@puc.ri.gov">Rudolph.S.Falcone@puc.ri.gov</a>;</p>	<p>401-780-2017</p>
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The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 5073

In Re: RESA's Petition for Purchase of Receivables Program  
Responses to the Division's First Set of Data Requests  
Issued on January 28, 2021

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Division 1-1

Request:

Please demonstrate that the formula proposed by National Grid for recovery of POR costs will be sufficient to ensure that non-POR customers will not pick up any of the POR program costs. Please provide spreadsheets with active equations showing the base case assumed in the formula development. In addition, please calculate for two different scenarios 1) assume that non-payment increases by 20% in a given program year after the formula has been adopted at the base rate and 2) assume a case where during the POR program year 20% of CCA customers return to SOS. Please show the calculations and impact on future year POR recovery and indicate how the formula as proposed will successfully insulate non-POR customers.

Response:

The Retail Energy Supply Association ("RESA") is seeking approval of a purchase of receivables ("POR") program in Rhode Island. RESA is proposing to model the Rhode Island POR program after the Massachusetts POR program which has been implemented by the electric distribution companies in Massachusetts, including the Company's affiliates, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (together, "Mass. Electric"). It is the Company's understanding that this Massachusetts model is what is meant when the question refers to "the formula proposed by National Grid."<sup>1</sup>

The way the Massachusetts model is designed, non-POR customers do not pick up any of the POR program costs. In Massachusetts, the costs associated with the POR program, including uncollectible costs and administrative costs, are recovered by the utilities directly from the competitive suppliers and not through a utility charge by each utility to their respective customers. The recovery of these costs is achieved by discounting (reducing) the amount that the utility pays competitive suppliers for the receivables that the utility is purchasing from the suppliers. The overall discount, which is referred to as the Standard Complete Billing Percentage ("SCBP"), consists of the following three components: (1) Uncollectible Billing Percentage ("UP"), (2) Administrative Cost Percentage ("ACP") and (3) Prior Period Reconciliation Percentage ("PPRP"). There are separate SCBPs for residential, commercial, and industrial customer classes. All suppliers are subject to the same SCBPs; SCBPs are not specific to suppliers, but only to customer classes.

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<sup>1</sup> Please note that the Company had a conversation with the Division to clarify the Division's request. The parties agreed that spreadsheets with active equations were not necessary and a narrative explanation would be acceptable.

Division 1-1, page 2

For the purpose of this response, the Company is focusing on the UP. Each year, using information from the most recently-completed calendar year, Mass. Electric calculates a UP by dividing total net charge offs for the year by total billings. For example, if the Company has net charge offs of \$2 million and total billings of \$100 million, the UP for the upcoming year is 2%. The 2% is used as an estimate for the upcoming year and is, therefore, subject to reconciliation to actual net charge offs. When Mass. Electric purchases a batch of receivables from a supplier (Mass. Electric (and the Company) bill customers across 20 batches, or cycles, during a billing month and Mass. Electric purchases supplier receivables after each of those batches), Mass. Electric will pay the supplier 98% of the amount Mass. Electric is purchasing.

The timing of when the payment to the supplier is processed is based on the average payment period between when Mass. Electric bills its customers and when those customers pay their bills (the average customer payment lag) based on actual historical data for the most recent 12-month period for which data is available for the applicable customer class (residential, commercial, industrial).

After the year is over, Mass. Electric will recalculate its UP for the prior calendar year using actual net charge offs and actual customer billings. The actual UP for the year is applied to the supplier receivables purchased to determine the discount that should have been taken on those receivables. The actual discount is compared to the estimated discount taken and the difference is reflected in a PPRP, which is a component of the SCBP for the upcoming year.

To illustrate, if Mass. Electric purchases receivables of \$100,000 from suppliers over the next year, it will pay \$98,000. After the year is done, Mass. Electric will calculate a UP based on actual net charge offs and billings during that year. If the net charge off increases by 20% and the resulting actual UP is 2.4%, Mass. Electric will multiply the actual UP by the amount of receivables purchased in the previous year to determine the amount of the discount. In this example, while Mass. Electric has paid suppliers \$98,000, Mass. Electric should have paid the suppliers \$97,400, a difference of \$600. This difference represents the additional amount that Mass. Electric should have retained in the discount because more receivables charged off than was estimated. In the following year, this \$600 shortfall will be recouped (or recovered) from all suppliers through the PPRP participating in the POR program at any given time. If at any time, participation in the POR program decreases, the prior period reconciliation amounts would be recovered from the remaining POR program suppliers.

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Division 1-1, page 3

As mentioned above, the Massachusetts model was designed so that customers do not pay any of the POR program costs and the program was developed and implemented under this design. However, with the implementation of any new program, there is always the risk of unforeseen circumstances and the Company cannot make any assurances that non-POR customers in Rhode Island would not be impacted.